

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

D.T.E. NO. 01-20

RECORD REQUEST: Department of Telecommunications and Energy to AT&T
Communications of New England, Inc.

DATE: January 14, 2002

RR-DTE-7 Please re-run John Hirshleifer's three-stage discounted cash flow ("DCF") model using a second stage that is (1) one year shorter than the period he used in his direct testimony and (2) one year longer than the period he used in his direct testimony. Provide the results.

Respondent: J. Hirshleifer

RESPONSE: Attached as Exhibit A to this response is a chart illustrating the effect of modifying Mr. Hirshleifer's 3-stage DCF analysis by shortening or lengthening the period of the second stage by one year. In each column, the three rows show:

(Row 1) the Hirshleifer 3-stage DCF Model modified with second stage shorter by one year;

(Row 2) the original Hirshleifer 3-stage DCF Model; and

(Row 3) the Hirshleifer 3-stage DCF Model modified with second stage longer by one year.

Column 1 provides the effect of the modifications on Hirshleifer's market-weighted average DCF, which was based on the value-weighted average of the equity cost of capital for all telephone holding companies. (Exhibit B to the response shows how this market-weighted average was calculated.)

Column 2 shows the effect of these modifications on Hirshleifer's overall equity capital calculation.

Column 3 shows the effect of the DCF modifications upon overall weighted average cost of capital.

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

D.T.E. NO. 01-20

RECORD
REQUEST: Department of Telecommunications and Energy to AT&T
Communications of New England, Inc.

DATE: January 14, 2002

RR-DTE-8 Provide a copy of the BA-GTE Merger Prospectus filed with the SEC on
April 14, 1999, and referenced at page 43 of John Hirshleifer's direct
testimony.

Respondent: J. Hirshleifer

RESPONSE: The BA-GTE Merger Prospectus filed with the SEC on April 14, 1999 is
attached.